

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EUR-12 IO-13 EB-08 AID-05 TRSE-00
OMB-01 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03
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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 9432
INFO AMEMBASSY ROME

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E.O. 11652: N/A
TAGS: EFIN, EAID, ET, IT
SUBJECT: DEBT ISSUES HINDER ITALIAN-ETHIOPIAN TECHNICAL
COOPERATION

REF: ADDIS ABABA 2976

SUMMARY: ALTHOUGH SOME PROGRESS IS BEING MADE IN
IMPLEMENTING NEW ITALIAN-ETHIOPIAN TECHNICAL
COOPERATION AGREEMENT, ITALIAN EMBASSY OFFICER
CLAIMED TWO DEBTS OWED BY THE PMGSE ARE A HINDERANCE.
ONE CLAIM, TAKEN OVER BY GOI, AMOUNTS TO FIVE
BILLION LIRA (US\$6 MILLION); ANOTHER CLAIM IS BY
PRIVATE ITALIAN FIRM FOR 12 MILLION BIRR
(US\$6 MILLION. REPAYMENT OF BOTH IS CURRENTLY
BEING NEGOTIATED. END SUMMARY.

1. ON AUGUST 16 ITALIAN CHARGE CONFIDED TO EMBASSY
OFFICER THAT EFFORTS TO IMPLEMENT NEW ITALIAN-
ETHIOPIAN TECHNICAL COOPERATION AGREEMENT CONTINUE
TO BE HAMPERED BY TWO LARGE DEBTS OWED BY THE PMGSE.
THE FIRST DEBT RESULTS FROM THE CONSTRUCTION
OF A DAM BY AN ITALIAN FIRM. THE FIRM WAS AWARDED
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JUDGMENT OF 5 BILLION ITALIAN LIRA BY THE ICJ
AND THE AMOUNT WAS PAID BY THE ITALIAN EQUIVALENT
OF EXIM BANK, WHICH HAD INSURED THE ITALIAN FIRM.
CONSEQUENTLY THE GOI TOOK OVER THE CLAIM
AGAINST THE PMGSE. AN ETHIOPIAN DELEGATION IS
SOON TO VISIT ROME TO DISCUSS THE MATTER. WHILE THE
PMGSE RECOGNIZES THE VALIDITY OF THE DEBT, IT

SEEKS TO RENEGLIATE THE PAYMENT SCHEDULE.

2. THE SECOND DEBT INVOLVES AN ITALIAN ROAD CONSTRUCTION FIRM WHICH IS OWED BY THE PMGSE. ALTHOUGH THE ITALIAN FIRM ALREADY HAS AGREED TO REDUCE THE PMGSE DEBT FROM 12 TO 6 MILLION BIRR (US\$6.3 MILLION), NEGOTIATIONS BETWEEN THE FIRM AND THE PMGSE ARE CONTINUING.

3. THE GOI AND THE PMGSE RECENTLY AGREED TO SIGN A PROTOCOL UNDER WHICH FOUR ITALIAN GEOLOGY TEACHERS WILL BE ASSIGNED TO THE ADDIS ABABA UNIVERSITY. MORE SIGNIFICANT COOPERATIVE VENTURES HAVE BEEN SLOWED WHILE THESE TWO DEBTS ARE UNDER NEGOTIATION.

COMMENT: PMGSE EFFORTS TO RENEGLIATE AND/OR REDUCE DEBT PAYMENTS UNDERLINE TIGHT FOREIGN EXCHANGE SITUATION. CONTINUING PMGSE STEPS TO EMPLOY FREE WORLD TEACHERS AT THE UNIVERSITY OF ADDIS ABABA IS ENCOURAGING. GIVEN THE EXPECTED INCREASE IN ENROLLMENT NEXT SCHOOL YEAR (UP 4,000 TO 10,000) A LARGE NUMBER OF NEW TEACHERS ARE NEEDED, AND THE PMGSE HAS BEEN ACTIVELY SEEKING THESE FROM ABROAD, IN BOTH THE WEST AND THE EASTERN BLOC.

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